

**STATE OF ILLINOIS**

**ILLINOIS COMMERCE COMMISSION**

<b>FairPoint Communications, Inc.,</b>	:	
<b>C-R Telephone Company,</b>	:	
<b>El Paso Telephone Company,</b>	:	
<b>Odin Telephone Exchange, Inc. and</b>	:	
<b>Yates City Telephone Company</b>	:	
	:	<b>04-0299</b>
<b>Joint Application for approval of the</b>	:	
<b>Recapitalization of FairPoint</b>	:	
<b>Communications, Inc. pursuant to</b>	:	
<b>Sections 7-203 and 7-204 and for other</b>	:	
<b>relief.</b>	:	

**ORDER ON REOPENING**

By the Commission:

**I. BACKGROUND**

On March 25, 2004, FairPoint Communications, Inc. ("FairPoint" or "Company"), C-R Telephone Company ("C-R"), The El Paso Telephone Company ("El Paso"), Odin Telephone Exchange, Inc. ("Odin") and Yates City Telephone Company ("Yates City"), (collectively "Joint Applicants" or "Illinois operating companies") filed a verified Joint Application for approval of the recapitalization of FairPoint by means of several concurrent transactions, including, but not limited to, an Initial Public Offering ("IPO"), entering into a new credit facility and a stand-alone issuance of Senior Subordinated Notes. The Joint Application sought approval of the recapitalization transactions, including the IPO, as a transfer of control in accordance with Sections 7-203 of The Illinois Public Utilities Act ("Act") and reorganization in accordance with Section 7-204 of the Act ("Act") and for all other appropriate relief.

The instrument or security that FairPoint then proposed to issue, pursuant to the Registration Statement filed with the Securities and Exchange Commission, was a "stapled instrument" that contained both an equity and debt component. The instrument is referred to as an Income Deposit Security ("IDS").

The Commission Staff reviewed the March 25, 2004 Joint Application and found no reason why the Illinois Commerce Commission ("Commission") should not approve the recapitalization transactions, provided the Joint Applicants accepted and complied with certain conditions. Staff proposed that seven conditions be adopted by the Commission in connection with the approval of the recapitalization and reorganization pursuant to Section 7-203 and Section 7-204 of the Act. Joint Applicants agreed to and accepted each of the seven conditions proposed by Staff.

The seven conditions proposed by the Staff, and accepted by the Joint Applicants in connection with the then proposed transactions, are as follows:

- (1) Staff should be granted access to all books, accounts, records, and personnel of FairPoint Communications Inc., C-R Telephone Company, The El Paso Telephone Company, Odin telephone Exchange, Inc. and Yates City Telephone Company and all of their utility and non-utility affiliated parent, sister and subsidiary companies, as well as independent auditors' work papers;
- (2) C-R Telephone Company, The El Paso Telephone Company, Odin Telephone Exchange, Inc. and Yates City Telephone Company should continue to comply with 83 Ill. Adm. Code 712;
- (3) FairPoint Communications Inc., C-R Telephone Company, The El Paso Telephone Company, Odin Telephone Exchange, Inc. and Yates City Telephone Co. and all of their utility and non-utility affiliated parent, sister and subsidiary companies should conduct annual internal audits to test compliance with Sections 7-204(b)(2) and 7-204(b)(3). The internal audit report documenting findings, conclusions, and recommendations should be submitted to the Manager of Accounting of the Illinois Commerce Commission by March 31<sup>st</sup> each year and associated work papers should be available to Commission Staff for review. The first internal audit report shall be submitted to the Manager of Accounting of the Commission on or before March 31, 2005;
- (4) that C-R Telephone Company, The El Paso Telephone Company, Odin Telephone Exchange, Inc. and Yates City Telephone Co. be prohibited from increasing tariffed retail rates for one year after the effective date of the reorganization;
- (5) that C-R Telephone Company, The El Paso Telephone Company, Odin Telephone Exchange, Inc. and Yates City Telephone Co. are prohibited from using any increased costs, as a result of this recapitalization, to justify any increases in their levels of support from the Universal Service Fund;
- (6) an Operating Company (i.e., C-R Telephone Company, The El Paso Telephone Company, Odin Telephone Exchange, Inc. and Yates City Telephone Co.) will be prohibited from paying dividends to FairPoint Communications Inc. or from otherwise transferring cash to FairPoint Communications Inc. through loans, advances, investments or other means that would divert their moneys, property or other resources that is not essentially or directly connected with the provision of non-competitive telecommunications service if that operating company fails to meet or

exceed the standard, set herein, for a majority of the service quality measures;

a) STANDARDS:

	C-R	El Paso	Odin	Yates
Toll & Assistance Answer Time (Part 730.510(a)(1)(A))	10 sec.	10 sec.	10 sec.	10 sec.
Information Answer Time (Part 730.510(a)(1)(B))	10 sec.	10 sec.	10 sec.	10 sec.
Business Office Answer Time (Part 730.510(b)(1))	60 sec.	60 sec.	60 sec.	60 sec.
Repair Office Answer Time (Part 730.535(a))	60 sec.	60 sec.	60 sec.	60 sec.
Interruptions of Service (Part 730.535(a))	1.0%	2.2%	3.2%	1.0%
Installation Requests (Part 730.540(a))	1.0%	1.0%	1.3%	1.0%
Trouble Reports per 100 lines (Part 730.545(a))	1.2	2.4	2.8	2.4

If any of the Operating Company's are granted a permanent waiver from having to comply with a key service quality measure in Dockets 04-0278 through 04-0281, then that service quality measure shall not be included in the list. Until the Commission issues an order in Dockets 04-0278 through 04-0281, key service quality measures Toll & Assistance Answer Time, Information Answer Time, Business Office Answer Time and Repair Office Answer Time shall be included in the condition, but not used to determine compliance with this condition. If a permanent waiver is denied, then those service quality measures shall be used to determine compliance. A standard shall be the average of the two-year actual performance of that operating company for that service quality measure, for the past twenty-four months;

b) MEASUREMENTS: Measurements shall commence on the date the securities are issued, and will be taken on an annual basis.

- c) **ANNUAL REPORTS:** FairPoint Communications Inc. shall file an annual report with the Chief Clerk's Office and posted in this docket. The annual report shall be filed December 1 of each year. Within the annual report, FairPoint Communications Inc. shall identify each carrier, and the title of the service quality measure, and by operating company FairPoint Communications Inc. shall list the standard set by the Commission for each service quality measure, and the actual performance for each annual period. The annual report shall present the actual performance data for every month after the date the securities are issued, with the initial month of data presented in the report being July 2004;
  - d) **FINAL NOTICE:** When FairPoint Communications Inc.'s issuer credit rating from both Standard & Poor's and Moody's Investors Service improves to investment grade, FairPoint Communications Inc. shall send a certified notice to the Commission, with a third-party independent verification that its issuer credit rating has been upgraded to investment grade. A corporate officer shall certify that the notice is true and accurate;
  - e) **DURATION OF CONDITION:** The duration of time this condition should remain in effect is until FairPoint Communications Inc.'s issuer credit rating increases to investment grade.
- (7) that FairPoint keep available exclusively for the Illinois operating telephone companies, under its senior secured credit facility, an amount equal to the higher of \$1 million or the currently approved capital expenditures budget for all four Illinois operating telephone companies. FairPoint should certify annually to the Commission that the required amount is available to the Illinois operating companies for the ensuing year. Therefore, on December 1 of each year, FairPoint shall send a notice to the Commission certifying that such amount was then currently available, and for the ensuing year what the dollar commitment would be for the Illinois companies based on the capital expenditure budget for the following year.

Hearings on the March 25, 2004 Joint Application were held before a duly authorized Administrative Law Judge of the Commission at its offices in Springfield, Illinois on April 8 and 21, 2004 and May 14, 2004. At the conclusion of the hearing on May 14, 2004, the record was marked "Heard and Taken".

On May 26, 2004, the Commission entered an Order in this docket and found that the reorganization would not adversely affect the Illinois operating companies' ability to perform their duties under the Act and meets the criteria set forth in Section 7-204. In addition, the Commission found that all of the recapitalization transactions for which approval were sought, including the proposed reorganization and proposed transfer of control, were reasonable and the relief requested under Section 7-203 and

Section 7-204 of the Act should be granted and gave consent and approval to the Joint Applicants to carry out all actions necessary to effectuate the recapitalization of FairPoint. In the May 26, 2004 Order, the Commission imposed the seven conditions that had been proposed by Staff and agreed to and accepted by Joint Applicants as set out above. The May 26, 2004 Order made all of the required findings that the proposed reorganization met the criteria set forth in Section 7-204 of the Act.

## **II. REOPENING**

On December 21, 2004,, Joint Applicants filed a Verified Motion To Reopen For Purposes Of Entering Amended Order On Reopening ("Verified Motion"). Exhibit "A" to the Verified Motion is a copy of the May 26, 2004 Commission Order in this docket. Exhibit "B" to the Verified Motion is an Amended Joint Application On Reopening, which describes the proposed transactions and the relief sought by Joint Movants from the Commission in an Order On Reopening. Exhibit "C" to the Verified Motion is a redlined version of the Joint Application filed on March 25, 2004 reflecting the changes in the recapitalization transaction as proposed at that time as compared to the current recapitalization transactions described in the Verified Motion and the Amended Joint Application On Rehearing. Exhibit "D" to the Verified Motion is an Affidavit of Walter E. Leach, Jr., the Executive Vice President and Chief Financial Officer of FairPoint and each of the other Joint Applicants.

On January 5, 2005, the Commission granted the Motion to Reopen. Pursuant to proper notice, this matter of reopening came on for hearing before a duly authorized Administrative Law Judge at the Commission at its offices in Springfield, Illinois on January 6, 2005. Appearances were entered by counsel on behalf of the Joint Applicants and Staff. On January 12, 2005, Staff filed Comments setting forth Staff's position with regard to the Verified Motion and Amended Joint Application On Reopening. On January 12, 2005, the record on reopening was marked "Heard and Taken."

## **III. JOINT APPLICANTS' POSITION**

As set forth in the Verified Motion is a verified Amended Joint Application On Reopening; and as affirmed by the Affidavit of Walter E. Leach, Jr., FairPoint has elected not to conduct its planned IDS offering but to instead pursue a traditional IPO as the public capital markets have not fully embraced the IDS instrument. Of primary concern to FairPoint is the likely inability of the market to support the size of an IDS offering that FairPoint would require to successfully complete its recapitalization. In contrast, the public capital market's familiarity and acceptance of a Common Stock in an initial public offering is well proven. Recently, a rural local exchange carrier with similar business and financial characteristics successfully completed an IPO, which further supports FairPoint's decision to amend its IDS offering and to move forward with a traditional IPO. Joint Applicants assert that a traditional IPO, which is now proposed, would result in a lower financial leverage for FairPoint—even lower than the IDS—to

provide more financial flexibility, which would result in a more conservative capital structure for FairPoint.

The Joint Applicants' verified pleadings indicate that FairPoint is a telecommunications holding company, who ultimately controls the operating subsidiaries and provides communications services in rural communities, including local voice, long distance, data, Internet and broadband product offerings to approximately 272,691 access line equivalents in 17 states as of September 30, 2004. The Company was originally incorporated in New York in 1991 and reincorporated in Delaware in 1993 as MJD Communications, Inc. In April 2000, the Company changed its corporate name to FairPoint.

Joint Applicants' verified pleadings set forth that FairPoint is the ultimate parent of C-R, El Paso, Odin and Yates City, each of which is an incumbent local exchange carrier providing service in Illinois subject to this Commission's jurisdiction and regulation. C-R, El Paso, Odin and Yates City provide service to approximately 877, 2,026, 3,564 and 527 access lines, respectively, as of September 30, 2004.

Joint Applicants' verified pleadings set forth that while FairPoint is presently a privately owned company, it is going to be recapitalized by taking the Company public through an IPO. Concurrent with the IPO, FairPoint will be entering into a new senior credit facility of approximately \$590 million. Following the completion of the IPO, the majority of the ownership interest of FairPoint will be held by public investors with no new investor owning more than 10% at the time of the offering. Since the change of ownership resulting from the IPO could be interpreted to constitute a change in the right to own, operate, manage or control the four Illinois operating companies requiring approval pursuant to Section 7-203 of the Act and may constitute a reorganization requiring approval pursuant to Section 7-204 of the Act, the Joint Application On Reopening was filed with the Commission. The IPO is scheduled to occur on or about February 4, 2005, and all necessary regulatory approvals must be obtained by no later than January 20, 2005.

Joint Applicants' verified pleadings set forth that the present ownership of FairPoint's Common Stock is as follows: 21,461,720 shares (or approximately 43.0%) are owned by Thomas H. Lee Equity Fund IV, L.P. and affiliates; 18,199,496 shares (or approximately 36.4%) are owned by Kelso Investment Associates V, L.P. and Kelso Equity Partners V, L.P.; 5,618,560 shares (or approximately 11.2%) are owned by the founders of FairPoint; 119,200 shares (or approximately 0.1%) are owned by members of senior management; and 4,568,030 shares (or 9.2%) are owned collectively by other shareholders. Thomas H. Lee Partners, L.P. and Kelso & Company are private investment firms.

Attachment 2 to the Amended Joint Application On Reopening is the amended Form S-1 Registration Statement that FairPoint filed with the United States Securities and Exchange Commission on December 16, 2004. This instrument or security that will be issued by FairPoint pursuant to the Amended Registration Statement filed with the

Securities and Exchange Commission is a General Equity Security. Common Shares will be listed on one or more Exchanges; and holders of Common Shares will receive quarterly dividend payments, subject to certain limitations pursuant to the Company's dividend policy. The IPO is anticipated to produce gross proceeds of approximately \$475 million. Currently with the public offering, FairPoint will enter into a new senior credit facility of approximately \$590 million. As part of the recapitalization, FairPoint intends to use the proceeds to eliminate a substantial amount of its existing debt and Preferred Stock, thereby deleveraging the Company, which will increase the operating and financial flexibility of FairPoint and its entire family of companies.

Joint Applicants' verified pleadings set forth that while the approximate ownership interest after the IPO, as between new public investors and the approximate ownership interest that will be held by certain existing shareholders, can only be estimated at this time (because the success of the IPO at the time of the offering and the potential exercise of an over-allotment provision will impact the proportionate ownership interests), FairPoint anticipates that approximately 73.2% will be owned by public investors (retail and institutional with no more than 10%) and the approximate remaining 26.8% ownership interests being held by certain existing shareholders. The approximately remaining 26.8% ownership interests are estimated to be as follows: approximately 11.4% by Thomas H. Lee Equity Fund IV, L.P. and affiliates; approximately 9.7% by Kelso Investment Associates V, L.P. and Kelso Equity Partners V, L.P.; approximately 3.1% by the founding shareholders of FairPoint; approximately 0.1% by senior management of FairPoint; and approximately 2.5% by other existing shareholders. None of the public investors nor any of the existing investors will own a majority of the voting capital stock of FairPoint and none will control FairPoint.

Joint Applicants' verified pleadings indicate that the recapitalization transactions, including the IPO, will benefit FairPoint and its entire family of companies, including C-R, El Paso, Odin and Yates City by providing additional access to capital that will strengthen the Companies financially and will allow FairPoint to deleverage through the repayment of existing debt and the retirement of Preferred Stock. Equity proceeds will substantially repay or reduce debt. The additional financial strength of the Illinois incumbent local exchange carriers' ultimate parent will benefit those Companies.

The Joint Applicants by their verified pleadings, indicate that the seven conditions proposed by Staff, agreed to and accepted by Joint Applicants and imposed by the Commission, in its Order of May 26, 2004 are appropriate conditions to impose in connection with the approval of the revised recapitalization transactions, including the IPO and the new senior credit facility. Joint Applicants, in their verified pleadings and by the Affidavit of Walter E. Leach, Jr., agree to accept the imposition of each and all of the seven conditions contained in the May 26, 2004 Order, and as set forth above, in connection with the approval of the amended recapitalization and reorganization in an Order on Reopening.

Joint Applicants' verified pleadings set forth that none of the recapitalization activities will affect the day-to-day operations or management of C-R, El Paso, Odin

and/or Yates City. With regard to the requirements of Section 7-204(b), the Joint Applicants' verified pleadings indicate that the transactions for which approvals are sought will not adversely affect C-R's, El Paso's, Odin's and/or Yates City's respective abilities to perform their duties under the Act.

Pursuant to subsection (b), the Commission must make seven findings before granting approval under Section 7-204. With regard to subsection (b)(1), Joint Applicants' verified pleadings sets forth that the amended proposed reorganization will not diminish the Utilities' ability to provide adequate, reliable, efficient, safe and least-cost public utility service.

With regard to subsections (b)(2) and (b)(3), Joint Applicants' verified pleadings set forth that the amended proposed transactions will not result in any unjustified subsidization of non-utility activity of C-R, El Paso, Odin and/or Yates City or their respective customers and that the Operating Companies' costs and facilities are each fairly and reasonably allocated between utility and non-utility activities in such a manner that the Commission has been, and will be, able to identify those costs and facilities that are properly included by the respective Companies for rate making purposes.

Joint Applicants' verified pleadings set forth that the amended proposed transactions will not impair the four Illinois Operating Companies' ability to raise the necessary capital on reasonable terms or to maintain a reasonable capital structure as required by subsection (b)(4). In accordance with the requirements of subsection (b)(5), Joint Applicants acknowledge that C-R, El Paso, Odin and/or Yates City will each, after the amended proposed transactions are completed, will remain subject to all applicable laws, regulations, rules decisions and policies governing the regulation of Illinois incumbent local exchange carriers.

With regard to the requirements of subsection (b)(6), Joint Applicants' verified pleadings set forth that the amended proposed transactions are not likely to have a significant adverse affect on competition in those markets over which the Commission has jurisdiction. With regard to the requirements of subsection (b)(7), the Joint Applicants' verified pleadings set forth that the amended proposed transactions are not likely to result in any adverse rate impacts on retail customers of C-R, El Paso, Odin and/or Yates City.

Section 7-204(c) addresses any savings and costs related to a reorganization. With regard to this Section, Joint Applicants' verified pleadings set forth that the Joint Applicants do not project that C-R, El Paso, Odin and/or Yates City will achieve any savings or incur any incremental costs from its regulated intrastate operations as a result of the amended proposed transactions. Joint Applicants are not seeking, by the Amended Joint Application On Reopening, the recovery of any costs incurred in accomplishing any and all of the recapitalization transactions.



#### IV. STAFF POSITION

Staff concludes that the Applicants' reorganization and recapitalization meets the requirements set forth in Sections 7-204(b) and 7-204(c) of the PUA, provided that the Applicants comply with the seven conditions outlined in the May 26, 2004, Order. In addition, Staff recommends an additional condition related to FairPoint's senior credit facility, and that C-R, Odin, El Paso and Yates City be directed to comply with three reporting requirements. Staff's conclusions are based on its review of the Verified Motion and its attachments, the Amended Joint Application On Reopening and other relevant information.

Since this is a reopening of the docket in which the Commission had previously granted approval of Applicants' recapitalization and reorganization, Staff reviewed the amended application for material impacts to the required findings of Section 7-204(b) and 7-204(c). In addition, Staff's conclusions regarding most of the findings did not change from the initial proceeding because the Company agreed to comply with the conditions stated in the May 26, 2004 Order, and Staff found no information in the reopening that changed the conclusions they reached in that initial hearing. Staff, however, raised concerns regarding the credit facility agreement, the percentage of stock ownership after the public offering and the sources and uses of the proceeds from both the common stock issuance and the credit facility agreement. To resolve these concerns Staff proposed an additional condition and three new reporting requirements.

##### Credit Facility Agreement

The proposed credit facility agreement has not been finalized. Therefore, to ensure the Operating companies will be able to meet their obligations under the PUA and the service quality standards set forth in Condition 6, Staff proposed a new condition:

FairPoint's credit facility agreement shall provide that the ceiling on aggregate capital expenditures in any fiscal year for FairPoint and its subsidiaries shall be at least 30% of FairPoint's Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) for such fiscal year.

This condition is designed to reduce the probability that any limits placed on FairPoint's capital expenditures by the senior credit facility do not curtail needed capital improvements to the systems of CR, Odin, El Paso and Yates City.

##### Reporting Requirements

The credit facility agreement has not been finalized, and the percentage ownership and voting rights that the current owners of FairPoint will have in the reorganized company cannot be determined until after the common stock issuance. This information impacts Staff's review but it is not known at this time. Staff therefore proposes that the Operating Companies file reports apprising Staff of this information

after the agreement is finalized, and the IPO has concluded. In addition, the Applicants cannot determine at this time the final sources and uses of the proceeds from both the common stock issuance and the borrowings under the senior credit facility. Therefore Staff has also proposed that the Operating Companies file reports apprising Staff of their final status. Accordingly, Staff's proposes the following language for the reporting requirements:

1. C-R, Odin, El Paso and Yates City shall jointly file a report with the Chief Clerk of the Commission that discloses the percentage ownership and voting rights in FairPoint after the IPO within 45 days of that issuance. That report shall disclose ownership and voting rights of the following stockholder groups: Thomas H. Lee Equity Fund IV, L.P. and affiliates; Kelso Investment Associates V, L.P. and Kelso Equity Partners V, L.P.; founders shareholders of FairPoint; senior management; other shareholders of FairPoint prior to the IPO; and public shareholders.
2. C-R, Odin, El Paso and Yates City shall jointly file with the Chief Clerk of the Commission a copy of the final credit facility agreement, as amended and restated following the reorganization, within 10 days of that agreement's execution, which final credit facility agreement shall contain substantially the same covenants stated in response to Staff data request SDR 1.02.
3. C-R, Odin, El Paso and Yates City shall jointly file with the Chief Clerk of the Commission a statement of the sources and uses of the proceeds from both the common stock issuance and the borrowings under the senior credit facility within 10 days of the execution of those capital transactions.

Staff asserts that eight conditions are necessary to ensure that the reorganization does not adversely affect the Operating Companies ability to perform their duties under the PUA, and to protect the interests of the Operating Companies and their customers.

#### **V. JOINT APPLICANTS RESPONSE TO STAFF**

At the hearing on January 12, 2005 the Joint Applicant's agreed with the additional condition and three reporting requirements proposed by Staff.

#### **VI. COMMISSION ANALYSIS AND CONCLUSION**

The Commission, having considered the entire record herein and being fully advised in the premises, is of the opinion and finds that:

- (1) C-R, El Paso, Odin and Yates City are each telecommunications carriers as defined in Section 13-202 of the Act, and each is providing telecommunications services as defined in Section 13-203 of the Act;

- (2) the Commission has jurisdiction over the parties hereto and the subject matter hereof;
- (3) the recitals of fact set forth in the prefatory portion of this Order are supported by the evidence of record and are hereby adopted as findings of fact;
- (4) for the reasons set forth by the Joint Applicants' verified pleadings and in light of the conditions described in the prefatory portion of this Order and in the section of this Order entitled "Staff Position," the amended proposed reorganization will not adversely affect C-R's, El Paso's, Odin's and/or Yates City's ability to perform their duties under the Act and the amended proposed reorganization meets the criteria as set forth in Section 7-204 of the Act in that:
  - a) the amended proposed reorganization will not diminish C-R's, El Paso's, Odin's, and/or Yates City's ability to provide adequate, reliable, efficient, safe and least-cost public utility service;
  - b) the amended proposed reorganization will not result in the unjustified subsidization of non-utility activities by C-R, El Paso, Odin and/or Yates City or their respective customers;
  - c) costs and facilities are fairly and reasonably allocated between utility and non-utility activities in such a manner that the Commission may identify those costs and facilities, which are properly included by the respective utilities for rate making purposes;
  - d) the amended proposed reorganization will not significantly impair C-R's, El Paso's, Odin's and/or Yates City's ability to raise necessary capital on reasonable terms or to maintain a reasonable capital structure;
  - e) C-R, El Paso, Odin and Yates City will remain subject to all applicable laws, regulations, rules, decisions and policies governing the regulation of Illinois public utilities;
  - f) the amended proposed reorganization is not likely to have a significant adverse effect on competition in those markets served by C-R, El Paso, Odin and/or Yates City over which the Commission has jurisdiction; and

- g) the amended proposed reorganization is not likely to result in any adverse rate impacts on retail customers of C-R, El Paso, Odin and/or Yates City;
- (5) the seven conditions proposed by Staff set forth in the prefatory portion of this Order on Reopening and accepted and agreed to by the Joint Applicants and imposed in the Order of May 26, 2004 shall continue to be imposed in connection with the amended reorganization;
- (6) the one additional condition proposed by Staff and three reporting requirements, as set forth in the Staff Position portion of this Order, and accepted and agreed to by the Joint Applicants, shall be imposed in connection with the recapitalization;
- (7) no quantifiable changes in the Operating Statements of C-R, El Paso, Odin and/or Yates City or savings are projected as a result of the amended reorganization, and therefore, no savings should be allocated;
- (8) FairPoint, C-R, El Paso, Odin and Yates City do not seek to recover, and therefore, shall not be allowed to recover any costs incurred in accomplishing the amended proposed reorganization;
- (9) all of the recapitalization transactions for which approval are sought, including the amended proposed reorganization and proposed transfer of control of C-R, El Paso, Odin and Yates City, are reasonable, subject to the conditions and reporting requirements set forth in the Staff Position portion of this Order;
- (10) the relief requested under Section 7-203 and Section 7-204 of the Act shall be granted as herein set forth, subject to the conditions set forth in the Staff Position portion of this Order; and
- (11) the prayer of the Amended Joint Application on Reopening may reasonably be granted and the public will be inconvenienced thereby.

IT IS THEREFORE ORDERED by the Illinois Commerce Commission that consent and approval are granted to Joint Applicants to carry out all actions necessary to effectuate the recapitalization of FairPoint Communications, Inc. and the reorganization and transfer of control of C-R Telephone Company, The El Paso Telephone Company, Odin Telephone Exchange, Inc. and Yates City Telephone Company.

IT IS FURTHER ORDERED that the Joint Applicants shall comply with the eight conditions and three reporting requirements referenced in Finding (5), (6), (9) and (10) and set forth in the prefatory portion of the Order On Reopening and in the section of this Order entitled "Staff Position."

IT IS FURTHER ORDERED that subject to the provisions of Section 10-113 of the Public Utilities Act and 83 Ill. Adm. Code 200.880, this Order On Reopening is final; it is not subject to the Administrative Review Law.

By order of the Commission this 20th day of January, 2005.

(SIGNED) EDWARD C. HURLEY

Chairman